

1. Protectionism in EEC-United States trade relations

Doc. A2-149/85

441.2(103)

Adopted December 12, 1985

RESOLUTION

on protectionism in trade relations between the European Community and the United States of America

The European Parliament,

- having regard to the motion for a resolution tabled by Mr De Gucht (Doc. 2-809/84),
- having regard to the motion for a resolution tabled by Mr Fruh and others (Doc. 2-872/84),
- having regard to the motion for a resolution tabled by Mr Maffre-Baugé and others (Doc. 2-895/84),
- having regard to the motion for a resolution tabled by Mr Moorhouse (Doc. 2-1020/84),
- having regard to the motion for a resolution tabled by Mr Piquet and others (Doc. 2-1469/84),
- having regard to the motion for a resolution tabled by Mr Musso and others (Doc. 2-1689/84),
- having regard to the motion for a resolution tabled by Mr Papoutsis (Doc. B 2-13/85),
- having regard to the motion for a resolution tabled by Mrs Lizin (Doc. B 2-580/85)
- having regard to the motion for a resolution tabled by Mr Starita (Doc. B 2-663/85),
- having regard to the interim report by the Committee on External Economic Relations and the opinions of the Committee on Economic and Monetary Affairs and Industrial Policy and of the Committee on Agriculture, Fisheries and Food, (Doc. A 2-149/85),
- having regard to the resolutions adopted on reciprocal Community-US relations,<sup>1</sup> and furthermore having regard to its resolutions:
  - the impact of the CAP on the external relations of the European Community ,<sup>2</sup>
  - the further development of GATT and of the free trade principle<sup>3</sup>,

<sup>1</sup> OJ No. C 127, 14.5.1984 pp. 89, 96, 100; OJ No. C 122, 20.5.1985, p. 114

<sup>2</sup> OJ No. C 242, 12.9.1983, p. 76

<sup>3</sup> OJ No. C 322, 28.10.1983, p. 281

- having regard to the communication of the Commission to the Council 'Perspectives for the Common Agricultural Policy'<sup>1</sup>
  - A. recalling the common cultural, political and economic foundations of the European Community and the United States of America,
  - B. recognizing that international trade liberalization and increases in international trade flows contribute to the optimum allocation of economic resources and strengthen therefore both production and employment,
  - C. concerned at the spreading of restrictions to international trade, in particular of measures providing for international market sharing,
  - D. having regard to the increasingly protectionist policy of the USA towards imports from the EEC, and particularly steel imports, and the resulting burden placed on relations between the USA and the European Community,
  - E. noting that the economic costs of protectionist measures have been clearly outlined both in the GATT special report of March 1985 'Trade policies for a better future' and in the report 'Costs and benefits of protective measures', adopted by the OECD Economic Policy Committee in March 1985; that such costs are usually higher than the short term benefits which can be obtained,
  - F. having regard to the conclusions of the OECD Council meeting at ministerial level of 11 April 1985, to the resolution of the European Parliament of 18 April 1985 protesting against escalating protectionism by the USA against Community steel imports, to the Bonn Economic Summit of 4 May 1985, to the declaration of protest of 17 October 1985 by the EEC Council of Ministers concerning relations with the USA in the iron and steel sector, and to the steel agreement concluded on 10 December 1985 between the US and the EC,
1. Stresses the importance of a balanced development of EC-US trade, in order to strengthen world trade flows, defend the open multilateral trade system and reinforce economic recovery;
  2. Points out that the EC-US balance of trade has for years shown a surplus in favour of the US and that only since 1984 has there been talk of a - relatively limited - deficit, and that on the other hand the American trade deficit caused by Japanese imports shows a rising trend as a result of structural factors and in relative terms is much greater than the deficit with the EC;

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<sup>1</sup>COM(85) 333 final

3. Declares that trade disputes between the US and the EC must be resolved first and foremost within GATT and that GATT procedures must be waived only in exceptional cases in order to prevent an escalation of unilateral action by means of bilateral political agreements;
4. Proposes that, to examine thoroughly and deal expertly with acute trade and economic problems between the EC and USA, small parliamentary groups of experts should meet with their counterparts in the American Congress, these meetings to take place outside the annual meetings between delegations from the European Parliament and the US Congress;
5. Stresses that, if the GATT rules are not respected by the US, the Council should take all the necessary retaliatory measures, as it resolved to do in its declaration of 27 March 1985 ;
6. Calls on the Commission to devise and implement trade policy measures such as will effectively and swiftly defend the Community's legitimate interests;

#### Concerning the industrial sector

7. Is deeply concerned at the growing compartmentalization of the steel market as a result of the bilateral US-EC agreements reached under pressure from the US and draws attention to the high economic costs of these agreements to both the American consumer and European steelworkers and producers;
8. Strongly opposes the US call for imports of semi-finished steel products from Europe also to be limited; considers on the contrary that efforts must be made to liberalize the existing steel agreements (including the carbon steel agreement, which expires at the end of 1985), particularly since the Community arrangements for subsidizing the restructuring of the European steel industry expire on 1 January 1986;
9. Expects the US Administration to establish a special arrangement, to supplement the planned EEC voluntary restraint agreement, to cover US subsidiaries of European steel undertakings, to ensure that this European commitment in the USA does not fall victim to US protectionism over steel and that jobs are not lost in a structurally weak US region;
10. Is deeply concerned by the US textile bill, now before Congress, which, even if not aimed directly at the EC, would have negative consequences on trade in textile products and reinforce, at world level, the trend towards protection of national markets; points out that such action would also undermine confidence in exporting countries as concerns renegotiation of the MFA;
11. Welcomes President Reagan's decision not to limit US footwear imports, and hopes that the strong declarations of the US President against protectionism will be reflected in the US legislative process;

12. Calls on its parliamentary counterparts in the US not to jeopardize the current preparation for new multilateral trade talks (GATT round), originally proposed by the US, by adopting protectionist measures;
13. Notes that the special procedures operated by the US in connection with the protection of industrial property lead to de facto discrimination against foreign patent-holders since where there is disagreement over industrial property between a US firm and a foreign firm, and pending the outcome of the judicial procedure, the foreign products concerned can be kept off the US market;

Concerning the agriculture sector

14. Notes that EC-US trade relations in the agriculture sector are subject to recurrent crises, and considers that a permanent settlement on outstanding problems should be found by means of strengthened GATT discipline as concerns agricultural products;
15. Deplores the adoption of unilateral measures to reduce trade in agricultural products that could trigger off a dangerous spiral of reciprocal reprisals, as pointed out in its resolution of 11 July 1985 on EEC-United States agricultural trade<sup>1</sup>;
16. Strongly deplores the increase in United States taxes on Community pasta products, and points out that that decision coincides with the end of a period of truce during which the Community made every possible attempt to reach an agreement on citrus fruit and pasta, for instance by reducing export refunds on pasta;
17. Points out in this connection that it would be advisable to ensure that the 1974 'Casey-Soames' compromise is-- adhered to;

<sup>1</sup> OJ No. C 229, 9.9.1985, p.92

18. Strongly disapproves the unilateral action taken by the US in the case of the citrus fruit dispute: it is however, evident that a stable solution will have to be found to the issues concerned, and in particular a common interpretation of GATT Article XXIV (which admits derogations from the most-favoured nation principle in order to establish free-trade zones and customs unions); remarks in this context on the inability of existing GATT procedures for dispute settlement to solve the problem;
19. recalls its resolution of 12 April 1984, calling for a simultaneous process in the US and the EC in order to obtain 'the synchronized abolition of surplus production and subsidies, as a means of combating the root causes of the trade conflict'; demands that the United States observe the principles set out in the GATT Statutes and avoids the tendency towards bilateralism; believes, too, that it is essential that problems faced by agricultural exporters be settled in a multilateral framework;
20. Considers that both the US and the EC agricultural policies should take account to a greater extent of conditions on world markets and that the future GATT rounds should aim at some liberalization of trade in agricultural products;
21. Considers, in this context, that the 1955 GATT waiver (enabling the US to pursue domestic policies regardless of certain GATT dispositions), the US export subsidies programme, and the CAP system of variable levies and refunds should be discussed in the next multilateral trade negotiations of GATT;
22. Hopes that talks will be initiated among the exporting countries with a view to working out a concerted policy on marketing and subsidies, wherever consumers' food requirements have been adequately covered and normal operating conditions for farming guaranteed; is of the opinion that the Community must examine the means of reaching a more equitable understanding with the USA to open up the American market to European agricultural products (especially dairy products) and thereby offset the growing volume of the imported American agricultural products sold duty-free in Europe;
23. Acknowledges the efforts which the Community is currently making to reduce protectionism and reform the common agricultural policy; and asserts in particular that the problems of American agriculture do not result from the Community's aggressive commercial approach on world markets;

Concerning financial aspects

24. Points out that the protectionist measures proposed by the Congress will do nothing to remove the cause of the large American balance-of-trade deficit, i.e. the deterioration of America's competitive position as a result of the high level of the dollar;
25. Stresses that a protectionist answer in the US to the growing trade deficit and external debt would delay the gradual fall of the dollar and the necessary adjustments in production, trade flows and capital movements; believes that the large US budget deficit is at the root of the considerable influx of foreign capital into the US, pushing up interest rates and the level of the dollar; therefore strongly urges the US Congress to reduce the budget deficit;
26. Stresses that the disorganised state of the International Monetary System has contributed to the current trade difficulties especially for the under-developed countries and to the threat of a revival of protectionism;
27. Considers consequently that it is the Community's task in its dialogue with the United States to prompt a greater awareness on the part of the American Government of its responsibilities as a dominant economic force in the functioning of the International Monetary System, which is indissolubly linked with the development of world trade ;

In conclusion:

28. Reaffirms its belief that protectionism does not provide any lasting economic advantage to the State resorting to it, and is particularly misleading as the political debate rarely succeeds in making clear to the public the economic costs of protectionist measures and the way that revenue distribution between producers, workers and consumers will be affected by them;

29. Is concerned by the gradual weakening of the GATT open multilateral trade system, caused notably by the proliferation of 'orderly marketing agreements' and 'voluntary restraints', and maintains that US-EC trade relations are of fundamental importance for the defence of free trade;
30. Considers that the search for reasonable compromises on matters still in progress, and the rejection of all further protectionist measures are vital prerequisites as far as the Community is concerned for the opening of a new Round of GATT trade negotiations ;
31. Considers that, in view of the new GATT round, special consideration should be given also to the following points, which are highly significant for the future of US-EC trade relations:
  - (a) tightening and clarification of the subsidies code (both for domestic and export subsidies)
  - (b) tightening of GATT discipline for the agricultural sector
  - (c) improvement to the dispute settlements procedures in GATT;
32. Points out that the issue of US export controls on grounds of national security reasons will be dealt with in the report by the Committee on External Economic Relations concerning restrictions on exports of strategic products and transfers of technology;
33. Instructs the President to forward this resolution to the Commission, the Council and the United States Congress and Administration.